Best Cost Management Practices Adopted

Our esteemed readers are perhaps aware that "ICWAI 8th National award for Excellence in Cost Management – 2010" was organized at Vigyan Bhawan, New Delhi on 18th July 2011 to recognize the qualitative cost management practices adopted by the industry. The award has successfully propagated the potentials of the tools and techniques of cost and management accountancy in the challenging global economic environment which is fiercely competitive and ever changing.

ICWAI 8th National Awards for Excellence in Cost Management 2010

(Awards Recipients)

Category I :	**Private-Manufacturing : Organisation (Large)**	
	1. LG Electronics India Pvt. Ltd.	First
	2 HV Axles Limited	Second
	3 Amara Raja Batteries Ltd.	Third
Category II :	**Private-Manufacturing : Organisation (Medium)**	
	4 WABCO - TVS (India) Ltd.	First
	5 PME Power Solutions (India) Ltd.	Second
Category III :	**Private-Manufacturing : Units (Large)**	
	6 Shree Cement Ltd. Unit : Beawar	First
Category IV :	**Private-Manufacturing : Units (Medium)**	
	7 Greaves Cotton Limited, Light Engines Unit-II	First
Category V :	**Private-Manufacturing : (Small)**	
	8 Jenburkt Pharmaceuticals Ltd	First
Category VI :	**Public Manufacturing : Organisation (Large)**	
	9 National Fertilizers Limited	First
	10 Steel Authority of India Ltd.	Second
Category VII :	**Public Manufacturing : Organisation (Medium)**	
	11 Gujarat Alkalies and Chemicals Ltd.	First
Category VIII :	**Public-Manufacturing : Unit (Large)**	
	12 Bharat Heavy Electricals Limited, Unit : Tiruchirappalli	First
	13 Oil and Natural Gas Corporation Limited, Unit : Ankleshwar	Second
	14 Bharat Heavy Electricals Limited Unit : Boiler Auxiliaries Plant, Ranipet	Third
Category IX :	**Public-Manufacturing : Unit (Medium)**	
	15 GAIL (India) Ltd, Unit : KG Basin, Rajahmundry	First
	16 GAIL (India) Ltd, Unit : Vizag-Secundrabad	Second
	17 Bharat Heavy Electricals Limited, Unit : Jhansi	Third
Category X :	**Private-Service Sector (Large)**	
	18 ICICI Prudential Life Insurance Company Limited	First
	19 BSES Yamuna Power Limited	Second
Caterogy XI :	**Private-Service Sector (Medium)**	
	20 Yamuna Power and Infrastructure Limited	First
	21 B. E. Billimoria & Co. Limited	Second
Category XII :	**Public-Service Sector (Large)**	
	22 Engineers India Limited	First
	23 Paschim Gujarat Vij Company Ltd.	Second
Category XIII :	**Public-Service Sector (Medium)**	
	24 RITES Limited	First
	25 Transmission Corporation of Andhra Pradesh Limited	Second

Award Winning Co's

In the Private Manufacturing Units (Large) category, **Shree Cements Ltd.** bagged the first prize. Shree Cement Ltd. (SCL) is basically into cement and power sector, and is an energy efficient, environment friendly and sustainable company. Cost control is a vital part of Shree culture and as a matter of practice, they celebrate "Cost Effectiveness Workshop" every year. Some of the missions organized for cost optimization are :

- Mission Support
- Mission 11-Profit optimization and cost reduction by 11%
- Mission "PAO"- Profit Appreciation and Optimization
- Mission "Happiness"- Anthem has been very successful.

SCL is ranked among the top five cement manufacturing groups in the country where cost management and cost control is a way of life practiced by all its stakeholders.

In the Private Manufacturing Units (Medium) category, **Greaves Cotton Ltd**. bagged the first prize. Robust cost management practice is always a combination of sound cost conscious operating processes and effective cost monitoring as well as analyzing system followed by the company.

A brief analysis of Cost Management System of the company reveals that :

- A Total Cost Management (TCM) is in place,
- After due deliberation Annual Budgets are drafted & approved,
- Budgetary controls and variance analysis are followed on a continual basis,
- Company has inculcated the habit of looking at cost aspect in each and every activity by each and everyone,
- Having SAP in place, collecting all cost at micro-levels under various cost centers with high level of accuracy and accumulation at micro level for profit centers as a whole,
- Apportionment and absorption of the cost to the respective profit/cost centers are diligently done with maximum possible accuracy.

The deployment of above cost techniques have a telling impact on the operation with operating results going up from 274% to 316% on Net Working Capital and from 188% to 228% on Net Fixed Assets over a 3 year span.

In the Public Manufacturing Units (Large) category, **Bharat Heavy Electricals Ltd. (Unit-Tiruchirapalli)** won the first prize. BHEL, India's largest engineering and manufacturing enterprise, is one of the largest employers of cost accountants and thereby ensuring that the cost records are managed professionally and as per generally accepted accounting principles. In BHEL, the focus is placed on continuous process of cost control and cost reduction and Budget acts as an important tool to manage the costs with reference to the turnover targets and the required returns to fulfill the stakeholder aspirations. Pricing system in BHEL is based on 3 tier cost estimation procedures. The following are three levels of costing:

Level I-Incremental Cash Cost/Variable Cost/ Marginal Cost
Level II-Estimated Factory Cost) plus Variable C&A Overheads
Level III- Total Cost.

Various quality initiatives are being taken to increase the efficiency of facilities and cost effectiveness. Various software & technology are used for cost reduction through standardization, parameterization and Design to Cost (DTC). In BHEL, managing the cost is not only the responsibility of the Management, but also of each employee.

In the Public Manufacturing Units (Medium) category, **GAIL India Ltd. (Unit K G Basin Rajahmundhry)** has won the first prize. GAIL strongly emphasizes on Total Cost Management, where all cost management initiatives form a part of the company's structure planning and are monitored regularly to ensure better capacity utilizations, higher labour productivity, lower power and fuel consumption etc. Continuous efforts made by the company, collective over a period of time to set new standards of excellence in the field of cost management ensures setting of benchmarks in the industry, year after year. As a leader in the gas sector, GAIL has adopted various cost management techniques like; Marginal Costing, Process and Product Costing, Variance Analysis, Inventory Management, TQM, Enterprise Resource Planning etc.

The details of best cost management practices followed by other companies will be discussed in the subsequent issues.